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DOS review completed

DDA Memo, 4 Apr 77

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GENERAL

Date: 10 Mar 78 By:

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1. **US policy regarding containment of Satellite airlines--The Department of State has advised US diplomatic missions in Europe and the Near East that it now believes that the advantages of preventing Satellite air expansion to Western Europe are over-balanced for the present by the advantages resulting from the restoration of normal transportation between Eastern and Western Europe through the granting of air rights to Satellite airlines. The Department, however, considers air rights to the Middle and Near East to be "in a different category" and hopes that the Greek and Turkish Governments will continue to deny access to Satellite airlines.**

The Department desires an opportunity to discuss with the Italian Government any Satellite air agreement prior to its conclusion.

2. **Strong US statement on Dimitrov speech--US Minister Heath in Sofia recommends that the Department of State publicly refute Prime Minister Dimitrov's recent speech in the Bulgarian National Assembly. Heath characterizes the speech as a "taunting sneer" at US impotence and believes it jeopardizes the "honor and good faith" of the US. Heath adds that by failing to react publicly to this bald challenge, the US would be acquiescing in the Bulgarian Government's mockery of the Bulgarian peace treaty and encouraging it to continue policies which can only lead to war.**

EUROPE

3. **TRIESTE: Italy hopeful of treaty revision--The chief of the Italian Economic Mission in Trieste has given US Political Adviser Joyce the impression that Italy hopes no governor of Trieste will be appointed and a treaty revision will return Trieste to Italy. The Italian official indicated that this prospect would ensure Italian cooperation in financing the zone.**

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4. FRANCE: Gaullists believed obstructing Government program--
US Ambassador Caffery believes there are definite indications that the Gaullists and groups of the so-called Center and moderate Right are obstructing the Schuman Government's recovery program. Caffery observes that although De Gaulle remained silent during the Government's test of strength with the Communists, the General and his representatives stepped up their attacks on the Government as soon as it showed signs of weathering the storm. Caffery has emphasized to De Gaulle's advisers that any deliberate attempts by the Gaullists to undermine the Schuman Government will be very damaging to De Gaulle's prestige in the US.

5. HUNGARY: Government leaders reportedly to be replaced--
[redacted] has advised US Minister Chapin that Prime Minister Dinnyes and Minister of Defense Veres, both non-Communists, will be ousted from the Hungarian Government within two or three weeks for refusing to permit the recruiting of volunteers for the Greek guerrillas.

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NEAR EAST-AFRICA

6. SAUDI ARABIA: Critical stage of relations with US--US Minister Childs transmits from Jidda his opinion that the US is approaching, if it has not already passed, a decisive stage in its relations with Saudi Arabia. Childs believes that King Ibn Saud may abandon hopes of maintaining close political relations with the US and may return to his previous policy of relying more upon his political relations with the UK.

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